



FOR IMMEDIATE RELEASE  
January 19, 2007

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District of Arizona*

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## **FORMER CEO GOES TO PRISON**

PHOENIX – Robert C. Hazlett, 44, of Gilbert, Ariz., the former CEO of a collection agency, Valley Acceptance Corporation, was sentenced here to 8 months in prison, to be followed by 36 months of supervised release, and ordered to pay restitution of \$744,376 by U.S. District Judge Stephen M. McNamee. Hazlett had been found guilty by Judge McNamee in a non-jury trial on a felony charge of Conspiracy to Commit Bank Fraud and Student Loan Fraud, occurring between April 1999 and June 2000. A jury had previously deadlocked on a verdict.

Department of Education Inspector General John P. Higgins, Jr. stated, "My office will continue to work diligently to see that federal education dollars are safeguarded from fraudulent activity, such as that of Mr. Hazlett and his employees. I am proud of the effort of my Special Agents and all the public servants who worked to bring these criminals to justice."

Court records revealed that from April 1999 to June 2000, Hazlett was the President of Valley Acceptance Corporation, a debt collection agency which provided services to colleges participating in the U.S. Department of Education Perkins Loan Program. The company's collection efforts were directed at students who had defaulted in the repayment of their Perkins educational loans to their schools.

The Court found that Hazlett and four of his employees conspired to submit fraudulent applications for replacement "consolidated student loans" to SunTrust Bank of Richmond, Va. The fraudulent applications generated in excess of \$1 million in commissions for the defendants. The scheme consisted of misrepresenting that the applicants were in a repayment status on their prior loans rather than listing their default status. The defendants also falsely indicated that the applicants had made six payments to their prior loans so that they would qualify for the new bank loans that were federally insured by the U.S. Department of Education.

A total of 537 fraudulent applications were submitted and approved by the bank for consolidated loans, totaling in excess of \$3.6 million. The borrowers subsequently defaulted on 240 of the fraudulently obtained loans, causing a loss to the bank in excess of \$1.4 million, most of which was ultimately paid through insurance from the U.S. Department of Education.

The four other defendants pleaded guilty and have been sentenced. One defendant received 14 months in prison and the others received probation with a requirement of restitution incident to their cooperation with the government's prosecution of Hazlett.

Judge McNamee noted as reasons for his sentence that, although the offense was serious and the loss amounts substantial, a felony conviction in itself carries serious consequences as to future

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business and employment opportunities, Hazlett had previously lead an exemplary life and was not likely to reoffend.

The investigation leading to the guilty verdict was conducted by Special Agents of the FBI and the Office of the Inspector General, U.S. Department of Education. The prosecution is being handled by Richard I. Mesh, Assistant U.S. Attorney, District of Arizona, Phoenix.

CASE NUMBER: CR-04-276-01-PHX-SMM  
RELEASE NUMBER: 2007-017(Hazlett)

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